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TO: Legislative Finance Committee

FROM: Clayton Schenck, Legislative Fiscal Analyst

RE: POINTS Subcommittee Status Report

In response to concerns over the problems related to the development of the \$32 million Process Oriented Integrated System (POINTS), three interim committees of the Legislature have had a role in the tracking of the investment in this project and the potential impact on state operations. The Revenue and Transportation Committee has a role as direct oversight over the Department of Revenue and for tracking POINTS as directed in HB2 and HJR2. The Legislative Finance Committee has a role as representatives of the appropriation process and with statutory responsibility for oversight of information technology issues. The Legislative Audit Committee was requested by the Department of Revenue to provide an independent assessment of the management of the POINTS project.

All three committees were conducting reviews and requesting status from the Department of Revenue. This required significant effort on the department and more importantly, the efforts of the legislative committees were not coordinated in their response to this issue.

The Chairman of the Legislative Audit Committee sent a letter to the other two committees asking that a subcommittee of the Legislative Audit Committee be formed to coordinate the efforts and interests of the Legislative Branch, and asked each committee to appoint members to the joint subcommittee. In response, the Audit Committee appointed Senator Elliott, Senator Stapleton, Representative Patterson, and Representative Wanzonried. The Finance Committee appointed Senator Johnson and Senator Jergeson. The Revenue and Transportation Committee appointed Representative Erickson and Representative Devlin.

The first subcommittee meeting was held in the State Capitol Building on February 7, 2002, and Senator Elliott was elected chairman.

At the February meeting, the subcommittee heard a report on the POINTS I Stabilization Plan from Dr. Joel Henry, an independent consultant hired by the department. In the report, Dr. Henry recommended reorganization of the department POINTS organization including a quality support group, and would require 8 new staff. The report also recommended that POINTS II not be implemented until POINTS I is stabilized, estimated to be December 2002. The subcommittee expressed concern about the reliability of POINTS data during 2002, until the system is stabilized.

Department of Revenue director Kurt Alme responded that the department welcomes working with the subcommittee. He discussed the progress of mediation with the primary contractor for POINTS, and his concurrence with the Henry stabilization report.

The subcommittee discussed its role and responsibility, with general agreement that the focus is on oversight, ensuring accountability and the protection of the taxpayer's investment. They also discussed the need to coordinate with parent committees. It was suggested that written reports sent a week in advance of meetings would help the committee better prepare for the issues.

It was agreed that there should be meetings as often as once per month, but to coordinate with progress on the system. Meetings are to be at the call of the chair. Chairman Elliott has called the next meeting of the subcommittee on March 25 in Helena, to coordinate with the negotiations between the department and the system contractor. DOR wants to seek committee input before committing to a specific plan with the contractor.